

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 11/2/2016

GAIN Report Number: 1612

Philippines

Post: Manila

Philippine Rice Quantitative Restrictions to Expire in 2017

Report Categories:

Trade Policy Monitoring

Approved By:

Jeffrey Albanese

Prepared By:

Pia A. Ang

Report Highlights:

The National Economic Development Authority (NEDA) announced that the Philippines will not seek to extend the Quantitative Restriction (QR) on rice (which is a domestic support program to help farmers). However, the Philippine Department of Agriculture (DA) stated that it will pursue a two-year extension on the QR to prepare farmers to compete with other Association of Southeast Asian Nations (ASEAN) rice-producing countries. Much is to be seen on how the situation will play out, but the Government of the Philippines (GOP) has already initiated a series of stakeholder consultations. Starting July 1, 2017, tariff concessions made under the QR will end along with the program's expiration, and tariff rates will revert back to their previous, higher levels. Some of those concessions include mechanically-separated meat (MSM) of poultry, dairy products, and oilseed meals.

General Information:

NEDA announced that the Philippines will not seek to extend the QR on rice (which is a domestic support program to help farmers). However, the DA stated that it will pursue a two-year extension on the QR to prepare farmers to compete with other ASEAN rice-producing countries. Much is to be seen on how the situation will play out, but the GOP has already initiated a series of stakeholder consultations.

Background

In 1995, the Philippines, upon its accession to the World Trade Organization (WTO), was allowed to implement a rice QR for 10 years. Under the QR, rice imports within the Minimum Access Volume (MAV) of 805,200 MT were faced with an in-quota tariff of 35 percent, while all imports in excess of the MAV were assessed with a higher 50-percent tariff. In short, a QR is an import quota, or an absolute limit, imposed on the volume of goods imported by a country, and is generally prohibited by Article XI of the General Agreement on Tariffs and Trade.

In 2004, the GOP applied for a seven-year extension of the QR, lasting until 2012. In December 2006, the request was approved by the WTO, subject to tariff concessions on certain agricultural products for member countries. Among those concessions were a reduction in tariffs for mechanically-deboned meat (MDM) and MSM of poultry. Other concessions included country specific quotas for rice: Australia – 15,000 MT; China – 25,000 MT; Thailand – 98,000 MT; and India – 25,000 MT.

The Philippines issued Executive Order No. 627 (EO 627) in June 2007 to implement the terms of the extension and officially lower the tariffs. EO 627 reduced tariffs for MDM and MSM of poultry from 40 percent to 5 percent. Note in the below chart that new tariff lines – HS 0207.1490A for chicken and HS 0207.2790A for turkey – were created.

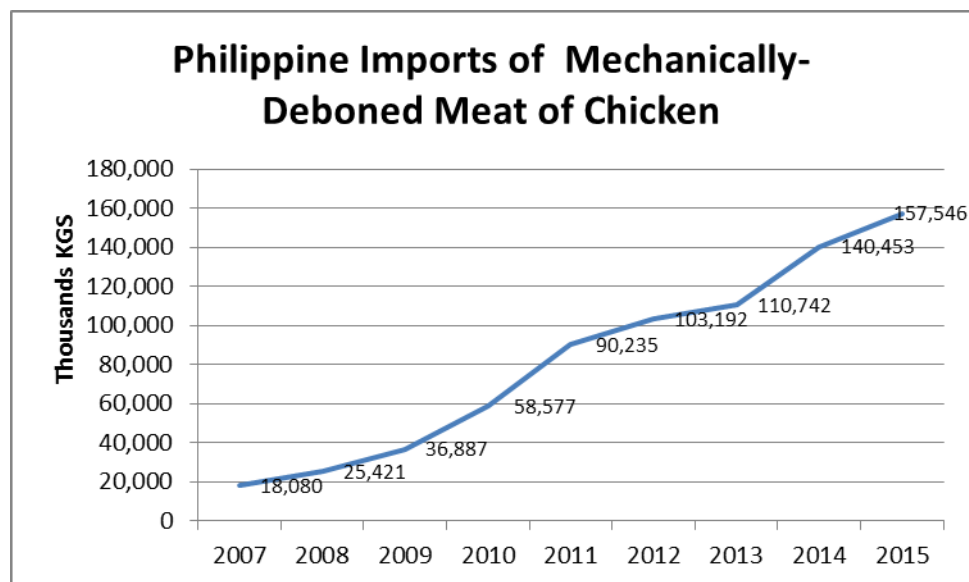
HS Code	Description	Tariff Rate
---------	-------------	-------------

		(%)
Poultry - Fresh, Chilled or Frozen, Dried or Smoked		
Of fowls of the species Gallus domesticus		
0207.14.90	Other:	
0207.14.90A	Mechanically deboned or separated meat	5
0207.14.90B	Other, In-Quota	40
0207.14.90C	Other, Out-Quota	40
Turkey		
0207.27.90	Other:	
0207.27.90A	Mechanically deboned or separated meat	5
0207.27.90B	Other, In-Quota	30
0207.27.90C	Other, Out-Quota	40
Other prepared or preserved meat, meat offal or blood		
1602.31.00	Of turkeys:	
1602.31.00A	Mechanically deboned or separated meat	5
1602.31.00B	Other, in airtight containers	40
1602.31.00C	Other, not in airtight containers	40

Source: <http://www.gov.ph/2007/06/15/executive-order-no-627-s-2007/>

Tariff Concessions Create a Market For Inexpensive Poultry

As a result of EO 627, imports of MDM and MSM of poultry were no longer subject to a MAV (and a two-tiered tariff quota system). Since 2007, Philippine imports of chicken MDM have skyrocketed from 18,000 MT in 2007 to almost 158,000 MT in 2015, the majority of which are used in meat processing e.g., hotdogs, sausages, and dumplings. In 2015, the top three sources of chicken MDM by volume were the United States (25 percent), Brazil (24 percent), and the Netherlands (23 percent).



Source: Bureau of Animal Industry, DA

In 2012, the Philippines secured another five-year extension of the QR, granting both an extension of prior concessions in addition to new ones. The new concessions included a reduction in tariffs for dairy products, oilseed meals, and frozen potatoes. In November 2015, Executive Order No. 190 was issued by the Aquino administration to make these new concessions official. The tariff reductions are in effect until June 30, 2017.

Between the two extensions, tariff rates for the following products were reduced: butter from 7 percent to 5 percent; buttermilk from 3 percent to 1 percent; grated cheese from 3 percent to 1 percent; frozen french fries from 10 percent to 0 percent; rapeseed meal from 3 percent to 1 percent; and MDM and MSM from 40 percent to 5 percent.

Impact of Expiration

Starting July 1, 2017, these concessions will end with the expiration of the QR, and the tariff rates will revert back their previous, higher levels. Tariff rates will increase to the following:

H D G N O .	A H T N C o d e 2 0 1 2	Description	20 14 to 6/ 30 /2 01 7	St ar ti ng 7/ 1/ 20 17
			Rate of Duty (%)	
0 2 . 0 7		Meat and edible offal, of poultry of heading 01.05, fresh, chilled or frozen		
		- Of fowls of the species Gallus domesticus		
	02 07. 14. 91	--- Mechanically deboned or separated meat	5	40
		- Of turkeys		
	02 07. 25. 00	-- Not cut in pieces, frozen:		
	02. 25. 00 A	--- In Quota	20	30

		--- Out-Quota	20	35
02. 27.		-- Cuts and Offal, frozen:		
		---Other		
02. 27. 91		---- Mechanically deboned or separated meat:		
02. 27. 91 A		----- In-Quota	5	30
02. 27. 91 B		----- Out-Quota	5	40
02. 27. 99		----Other:		
02. 27. 99 A		----- In-Quota	20	30
02. 27. 99 B		----- Out-Quota	20	40
0 4 . 0 3		Buttermilk, curdled milk and cream, yoghurt, kephir and other fermented or acidified milk and cream, whether or not concentrated or containing added sugar or other sweetening matter or flavored or containing added fruits, nuts or cocoa		
	04 03. 90. 10	-- Buttermilk	1	3
0 4 . 0 5		Butter and other fats and oils derived from milk; dairy spreads		
	04 05. 10. 00	- Butter	5	7
0 4 . 0 6		Cheese and curd		
	04 06. 20	- Grated or powdered cheeses, of all kinds		
	04 06.	-- in packages of a gross weigh exceeding 20 kg	1	3

	20. 10			
	04 06. 20. 90	-- Other	1	7
1 6 . 0 2		Other prepared or preserved meat, meat offal or blood		
	16 02. 31	-- Of turkeys:		
		---Other:		
	16 02. 31. 91	---- Mechanically deboned or separated meat	5	40
2 0 . 0 4		Other vegetables prepared or preserved otherwise than by vinegar or acetic acid, frozen, other than products of heading 20.06		
	20 04. 10. 00	- Potatoes	0	10
2 3 . 0 6		Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading 23.04 or 23.05		
		- Of rape or colza seeds		
	23 06. 41	-- Of low erucic acide rape or colza seeds:		
	23 06. 41. 10	--- Of low erucic acid rape seeds	1	3
	23 06. 41. 20	--- Of low erucic acid colza seeds		
	23 06. 49	-- Other		
	23 06.	--- Of other rape seeds	1	3

49. 10			
23 06. 49. 20	--- Of other colza seeds	1	3

Source: <http://www.gov.ph/2015/11/05/executive-order-no-190-s-2015/>